



Customer Collaborative Meeting

Financial Overview through July 27th, 2004

- **Several uncertainties are still in play for the remainder of FY04:**
 - The financial assumptions used for the 3rd Quarter Review assume reductions in late summer spill, which were previously estimated to increase revenue about \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.
 - While gas prices remain strong, market prices for August & September remain uncertain.
 - Fish and wildlife direct program forecasts were reduced \$12 million from the 2nd Quarter forecasts based on an improved forecasting methodology. Experience from last year makes us cautious as to whether this reduction will be realized.
 - Forecasts assume continuous ENW Columbia Generating Station operation for the remainder of the year.



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Financial Overview through July 27th, 2004

- *Forecasted FCRPS Net Revenue is up \$154 million, with Modified Net Revenue up \$70 million from the 2nd Quarter Review forecast. Although FCRPS Net Revenue is up from August 28th Power Rate Case Workshop, FCRPS MNR remains below the workshop forecasts.*



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Financial Overview through July 27th, 2004

3rd Quarter Forecast Net Revenue compared to 2nd Quarter Forecast:

- Forecast **Revenues are up \$175** million from the 2nd Quarter Review forecast primarily attributable to SFAS 133 (\$85 million), and an increase in secondary sales caused by an increase in generation from reduced summer spill, now not expected to occur, and an increase in actual and forecast higher market prices.
- Forecast **Expenses are up \$21** million from the 2nd Quarter Review forecast due to an increase in other power purchases offset by a decrease in fish and wildlife and PBL interest expenses, and increases in TBL operating expenses offset by decreases in TBL interest expense.

3rd Quarter Forecast Net Revenue compared to the August 28th Rate Case Workshop:

- Of considerable importance for calculating the FY 2005 SNCRAC adjustments to power rates, the 3rd Quarter forecasts indicate PBL Modified Net Revenue is very close to the August 28th Rate Case Workshop (\$9million lower than the workshop).



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3rd Quarter Forecast Modified Net Revenue Forecast:

The following information identifies the current PBL forecast impacts to the Modified Net Revenue which will serve as the basis for proposed changes to the FY '05 FBCRAC and SNCRAC:

3rd Quarter Forecast compared to 2nd Quarter Forecast:

- **PBL Modified Net Revenue is up by \$74 million**
 - Forecasted net secondary sales are up by about \$56 million, primarily due to an increase in generation assumed to be available from reduced summer spill, now not expected to occur, accompanied by a slight increase in the average annual weighted net sales price.
 - Forecasted program expenses are down primary in the areas of net interest expense, fish and wildlife and internal operations, offset by small increases in other categories.

3rd Quarter PBL Forecast compared to August 28th Power Rate Case Workshop :

- **PBL Modified Net Revenue is down slightly by \$9 million**
 - Actual and forecasted net secondary sales declined \$95 million from August estimates due to decreased generation caused by the reduction in annual hydro volume forecast from 134 to 110 maf, partially offset by the planned reduction of summer spill, now not expected to occur, and a \$9/MWh increase in the average annual weighted net sales price.
 - The reduced net secondary sales are almost completely offset by a total of \$86 million in actual and forecasted reductions of expenses in net interest, and internal operations, and forecasted changes in other categories.



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Financial Overview through July 27th, 2004 cont.

- **The Third Quarter Review forecast of end of year Agency Reserves is \$630 million, an increase of \$137 million from the 2nd Quarter Review. Causes include:**
 - Increased Agency net revenue (\$70 million);
 - Deposits from 3rd party participants for financing various federal Agency energy efficiency projects (\$28 million);
 - Updated estimates of the amount of cash being sent to ENW through net billing (\$22 million); and
 - Other cash adjustments (\$17 million).
- **The Third Quarter Review forecast of end of year Agency Reserves is \$183 million higher than the August 28th Power Rate Case Workshop estimate. The increase is primarily attributable to actions that increased cash in FY 2004, but also increase cash outflows in FY 2005-6. Specific areas include:**
 - Increased reserves resulting from the ENW FY 2005 Debt Refinancing (\$55 million);
 - A reduction in the amount of the IOU Residential Exchange Deferral being repaid in FY 2004 (\$27 million);
 - Deposits from 3rd party participants for financing various federal Agency energy efficiency projects (\$44 million);
 - Transmission Contract Prepayments (\$45 million); and
 - Other cash adjustments (\$12 million).
- **Current increases in cash inflows and cash outflows in subsequent years will be reflected in the forward looking SN CRAC studies**

CFO APPROVED

Report ID: CC_0020

Requesting BL: CORPT

Unit of measure: \$ Thousands

Federal Columbia River Power System
Statement of Revenues and Expenses - Customer Collaborative
 Through the Month Ended June 30, 2004 as of June 30, 2004

Data Source: EPM Data Warehouse

Run Date: July 26, 2004

Run Time: 19:47

Preliminary/ Unaudited

% of Year Lapsed = 75%

		A	B <Note 3	C <Note 4, 5	D	E
		Actuals: FY 2003	PBL & TBL Rate Cases: FY 2004	Forecast: Qtr 3 FY 2004	Actuals: FYTD 2004	Actuals: FYTD 2003
Operating Revenues						
1	Sales <Note 1	3,328,277	3,365,554	3,227,786	2,177,715	2,436,856
2	Miscellaneous Revenues	49,077	47,983	56,023	41,133	32,455
3	Derivatives - Mark to Market Gain (Loss) <Note 2	55,265		113,809	113,809	45,942
4	U.S. Treasury Credits	179,484	81,675	84,977	62,716	90,782
5	Total Operating Revenues	3,612,104	3,495,212	3,482,595	2,395,374	2,606,035
Operating Expenses						
Power System Generation Resources						
Operating Generation Resources						
6	Columbia Generating Station	205,153	216,900	221,800	157,951	156,374
7	Bureau of Reclamation	54,041	61,300	58,219	43,278	37,751
8	Corps of Engineers	129,383	140,500	138,551	96,889	87,758
9	Long-term Generating Projects	26,105	31,346	27,832	17,905	17,279
10	Operating Generation Settlement Payment	16,709	17,000	16,838	11,439	12,896
11	Non-Operating Generation	9,136	12,200	1,458	2,033	6,095
12	Contracted Power Purchases and Augmentation Power Purchases <Note 1	1,007,997	692,886	743,155	392,683	771,211
13	Residential Exchange/IOU Settlement Benefits	143,967	143,802	125,915	94,468	107,746
14	Renewable and Conservation Generation, including C&RD	83,059	89,724	87,725	61,133	56,387
15	Subtotal Power System Generation Resources	1,675,550	1,405,658	1,421,493	877,779	1,253,495
16	PBL Transmission Acquisition and Ancillary Services	47,648	49,000	48,001	28,506	29,375
17	PBL Non-Generation Operations	62,649	66,629	60,477	42,589	45,325
18	TBL Transmission Acquisition and Ancillary Services	5,617	8,321	6,610	3,883	4,372
19	Transmission Operations	76,519	96,312	84,817	62,058	57,232
20	Transmission Engineering	13,424	20,533	18,253	10,973	6,664
21	Transmission Maintenance	78,257	84,491	77,770	56,645	55,310
22	Fish and Wildlife/USF&W/Planning Council/Environmental Requirements	169,918	163,445	174,499	120,805	95,404
General and Administrative/Shared Services						
23	CSRS	35,100	30,950	30,950	23,175	26,325
24	Corporate Support (G&A and Shared Services) / TBL Supply Chain	83,987	100,728	88,656	62,817	60,880
25	Other Income, Expenses & Adjustments	(7,140)		43	(42)	(7,241)
26	Non-Federal Debt Service	119,534	584,819	246,736	162,807	40,185
27	Depreciation & Amortization	350,025	355,655	365,694	269,764	261,553
28	Total Operating Expenses	2,711,089	2,966,540	2,623,998	1,721,758	1,928,880
29	Net Operating Revenues (Expenses)	901,015	528,673	858,597	673,616	677,155
Interest Expense						
30	Interest	378,989	408,438	318,598	240,572	276,918
31	AFUDC	(33,398)	(24,493)	(33,185)	(23,326)	(22,516)
32	Net Interest Expense	345,591	383,945	285,413	217,246	254,402
33	Net Revenues (Expenses) from Continuing Operations	555,424	144,728	573,184	456,370	422,753
34	Net Revenues (Expenses)	\$555,424	\$144,728	\$573,184	\$456,370	\$422,753

<1 FY 2004 current Period & FYTD Actuals for Power Sales & Contracted Power Purchases are affected by the change in accounting for power "bookout" transactions after adoption of new accounting guidance, EITF 03-11, effective as of Oct 1, 2003. The change in accounting for power "bookout" transactions was not applied to the Rate Case, and the Forecast.

<2 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133, as amended, for identified derivative instruments. The MTM adjustment is excluded in calculating Modified Net Revenues for rate setting purposes.

<3 PBL Rate Case amounts are from the final SNCRAC ROD data that was presented at the August 28th, 2003 Customer Workshop, which did not include any results from debt refinancing.

The TBL groupings of expenses by programs and sub-programs for FY 2004 estimates, developed as part of the 2004 Rate Case, have been reconstituted to match the groupings shown on this report.

<4 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices.

These uncertainties among other factors may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

<5 The Third Quarter Review shows the estimated effects of reduced summer spill, consistent with the 2004 Federal Columbia River System Juvenile ByPass Operations Statement of Decision signed by the Administrator on July 6, 2004. Previous estimates of the effects of reduced summer spill on agency net revenues have been an improvement in the range of \$20 to \$40 million.

Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.

CFO APPROVED PBL Statement of Revenues and Expenses - Customer Collaborative Report ID: CC_0021 Requesting BL: POWER Unit of measure: \$ Thousands					
Through the Month Ended June 30, 2004 as of June 30, 2004 Preliminary/ Unaudited					
Data Source: EPM Data Warehouse Run Date/Time: July 26, 2004 17:46 % of Year Lapsed = 75%					
	A	B <Note 3	C <Note 4, 5	D	E
	Actuals: FY 2003	SNCRAC Aug 2003 Forecast: FY 2004	Forecast: Qtr 3 FY 2004	Actuals: FYTD 2004	Actuals: FYTD 2003
Operating Revenues					
Sales <Note 1	2,806,781	2,812,175	2,730,360	1,796,491	2,038,001
Miscellaneous Revenues	17,856	15,670	19,008	14,487	11,240
Inter-Business Unit	85,425	80,326	76,126	58,014	60,562
Derivatives - Mark to Market Gain (Loss) <Note 2	55,265		113,809	113,809	45,942
U.S. Treasury Credits	179,484	81,675	84,977	62,716	90,782
Total Operating Revenues	3,144,811	2,989,847	3,024,280	2,045,517	2,246,527
Operating Expenses					
Power System Generation Resources					
Operating Generation Resources					
Columbia Generating Station	205,153	216,900	221,800	157,951	156,374
Bureau of Reclamation	54,041	61,300	58,219	43,278	37,751
Corps of Engineers	129,383	140,500	138,551	96,889	87,758
Long-term Generating Projects	26,105	31,346	27,832	17,905	17,279
Operating Generation Settlement Payment	16,709	17,000	16,838	11,439	12,896
Non-Operating Generation	9,136	12,200	1,458	2,034	6,095
Contracted Power Purchases and Augmentation Power Purchases <Note 1	1,007,997	692,886	743,155	392,683	771,211
Residential Exchange/IOU Settlement Benefits	143,967	143,802	125,915	94,468	107,746
Renewable and Conservation Generation, including C&RD	83,171	89,724	87,725	61,169	56,465
Subtotal Power System Generation Resources	1,675,661	1,405,658	1,421,493	877,817	1,253,573
PBL Transmission Acquisition and Ancillary Services	156,882	190,000	160,850	107,571	106,467
Power Non-Generation Operations	63,035	67,268	60,477	43,252	45,545
Fish and Wildlife/USF&W/Planning Council/Envrionmental Requirements	170,289	163,700	174,499	120,995	95,654
General and Administrative/Shared Services					
CSRS	17,550	15,500	15,500	11,588	13,163
Corporate Support - G&A and Shared Services; TBL Support - Supply Chain	34,365	39,230	39,056	27,092	25,377
Other Income, Expenses & Adjustments	(6,192)		43	43	(5,850)
Non-Federal Debt Service	434,734	584,819	433,285	301,270	204,435
Depreciation & Amortization	178,896	176,842	177,574	132,166	135,077
Total Operating Expenses	2,725,220	2,643,017	2,482,777	1,621,794	1,873,442
Net Operating Revenues (Expenses)	419,591	346,830	541,503	423,723	373,085
Interest Expense					
Interest	192,521	217,785	170,779	130,147	148,243
AFUDC	(15,926)		(10,000)	(7,373)	(9,654)
Net Interest Expense	176,595	217,785	160,779	122,774	138,589
Net Revenues (Expenses) from Continuing Operations	242,996	129,045	380,724	300,949	234,496
Net Revenues (Expenses)	\$242,996	\$129,045	\$380,724	\$300,949	\$234,496

<1 FY 2004 current Period & FYTD Actuals for Power Sales & Contracted Power Purchases are affected by the change in accounting for power "bookout" transactions after adoption of new accounting guidance, EITF 03-11, effective as of Oct 1, 2003. The change in accounting for power "bookout" transactions was not applied to the Rate Case, and the Forecast.

<2 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133, as amended, for identified derivative instruments. The MTM adjustment is excluded in calculating Modified Net Revenues for rate setting purposes.

<3 PBL Rate Case amounts are from the final SNCRAC ROD data that was presented at the August 28th, 2003 Customer Workshop, which did not include any results from debt refinancing.

<4 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices.

These uncertainties among other factors may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

<5 The Third Quarter Review shows the estimated effects of reduced summer spill, consistent with the 2004 Federal Columbia River System Juvenile ByPass Operations Statement of Decision signed by the Administrator on July 6, 2004. Previous estimates of the effects of reduced summer spill on agency net revenues have been an improvement in the range of \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.

CFO APPROVED

Report ID: CC_0022

Requesting BL: CORPT

Unit of measure: \$ Thousands

Federal Columbia River Power System
Schedule of Net Revenue (Expense) to Modified Net Revenue - Customer Collaborative
 Through the Month Ended June 30, 2004
 Preliminary/ Unaudited

Data Source: EPM Data Warehouse

Run Date: July 26,2004

Run Time: 19:18

	A	B	C	D	E	F <Note 7, 8
	Actuals: FY 2000	Actuals: FY 2001	Actuals: FY 2002	Actuals: FY 2003	Rate Case: FY 2004	Forecast: QTR FY 2004
Power Business Line (PBL)						
1 PBL Net Revenue (Expense) <Note 1	252,130	(380,538)	(87,421)	242,996	129,045	380,724
PBL Modified Net Revenue Adjustments:						
2 SFAS 133 Adjustments (MTM) <Notes 2		(120,614)	38,354	55,265		113,809
3 ENW Debt Adjustments	(81,677)	(157,853)	(264,697)	(148,085)		(146,796)
4 PBL Modified Net Revenue Adjustments <Note 1, 3	(81,677)	(37,239)	(303,051)	(203,350)		(260,605)
5 PBL Modified Net Revenue <Note 4	170,453	(417,778)	(390,472)	39,646	129,045	120,119
6 PBL Accumulated Net Revenue (GRSP Defined) <Note 5	170,453	(247,325)	(637,797)	(598,151)	(469,106)	(478,032)
7 FBCRAC Threshold Amount <Note 6	--	(386,000)	(408,000)	(378,000)	(264,000)	(264,000)
8	MNR Improvements Required to not trigger FBCRAC					214,032
13 FCRPS Modified Net Revenue <Note 9	159,300	(374,640)	(346,387)	36,874	144,726	110,530

<1 Includes \$168,491k unrealized loss due to the Cumulative Effect of Change in Accounting Principle for SFAS 133, which was posted to FY 2001. This amount is excluded when calculating the MNR.

Prior report releases and presentations reported the net effect of this change, resulting in previously reported amounts of \$(212,043.18)k for PBL Net Revenue (Expense), and \$(205,730.03) for PBL MNR Adjustment.

<2 Revenue Adjustments reflect impacts from SFAS 133 that are subtracted from net revenue, while ENW Debt Service adjustments reduce MNR if rate case amounts exceed actual ENW Debt Services expenses.

<3 Consistent with the GRSP's, the Modified Net Revenue (MNR) is an adjustment to Net Revenues for the purpose of calculating the rate case Financial and Safety-net Cost Recovery Adjustment Clause.

The MNR excludes the impact of SFAS 133 transactions (Accounting for Derivative Instruments and Hedging Activities); for Debt Service, the MNR excludes actual ENW debt service and substitutes the Energy Northwest debt service expenses as forecasted in the WP-02 Final Studies.

<4 FYTD PBL MNR equals \$53 million and FYTD FCRPS MNR equals \$70 million .

<5 The GRSP's definition of the Accumulated Net Revenue (ANR) differs from the accounting standard definition of ANR. The GRSP's defined ANR is used in determining the FBCRAC rates; the GRSP's ANR represents the accounting standard Accumulated Net Revenue (starting 09/30/99) less the accumulated effects of FAS 133 and ENW debt refinancing activities (see note 3.)

This report is not an absolute prediction of future revenues or costs, nor does it reflect the actual ANR for the end of the fiscal year, (unless otherwise indicated.)

This report should not be used for investment purposes, nor is it a guarantee that the actual ANR will be achieved as forecasted.

<6 In accordance with the GRSP's, the FBCRAC thresholds were established to provide an upward adjustment to rates to address declining financial circumstances.

The thresholds are established as a benchmark in which to evaluate the financial condition. The FBCRAC thresholds for the ends of FY 2003 - 2005 are reset to equal the SNCRAC thresholds each time the SNCRAC thresholds are recalculated. [SN-03-A-02]

<7 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices.

These uncertainties among other factors may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

<8 The Third Quarter Review shows the estimated effects of reduced summer spill, consistent with the 2004 Federal Columbia River System Juvenile ByPass Operations Statement of Decision signed by the Administrator on July 6, 2004. Previous estimates of the effects of reduced summer spill on agency net revenues have been an improvement in the range of \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.

<9 Because the FCRPS MNR excludes actual ENW debt service amounts and substitutes the Energy Northwest debt service expenses as forecasted in the WP-02 Final Studies, the FCRPS MNR removes the effect of debt refinancing from BPA's annual financial activities.

CFO APPROVED**TBL Statement of Revenues and Expenses - Customer Collaborative**

Report ID: CC_0023

Through the Month Ended June 30, 2004 as of June 30, 2004

Data Source: EPM Data Warehouse

Requesting BL: TRANS

Run Date/Time: July 26, 2004/ 18:38

Unit of Measure: \$ Thousands

Preliminary/ Unaudited

% of Year Lapsed = 75%

	A	B <Note 1	C <Note 2, 3	D	E
	Actuals: FY 2003	Rate Case: FY 2004	Forecast: Quarter3 FY 2004	Actuals: FYTD 2004	Actuals: FYTD 2003
Operating Revenues					
1 Sales	521,496	553,379	497,426	381,224	398,855
2 Miscellaneous Revenues	31,221	32,313	37,015	26,647	21,214
3 Inter-Business Unit Revenues	110,884	138,324	113,125	80,030	77,735
4 Total Operating Revenues	663,601	724,016	647,567	487,901	497,804
Operating Expenses					
5 TBL Transmission Acquisition and Ancillary Services	91,013	88,623	83,410	61,497	64,835
6 Transmission Operations	76,840	96,312	84,817	62,058	57,332
7 Transmission Engineering	13,495	20,533	18,253	11,373	6,675
8 Transmission Maintenance	78,257	84,491	77,770	56,645	55,310
General and Administrative/Shared Services					
9 CSRS	17,550	15,450	15,450	11,588	13,163
10 Corporate Support - G&A and Shared Services/TBL Support - Supply Chain	49,920	61,498	49,600	35,725	35,503
11 Other Income, Expenses & Adjustments	(828)			232	(346)
12 Depreciation & Amortization	171,130	178,813	188,120	137,598	126,476
13 Total Operating Expenses	497,378	545,720	517,420	376,714	358,946
14 Net Operating Revenues (Expenses)	166,224	178,296	130,147	111,186	138,858
Interest Expense					
15 Interest	186,468	190,653	163,319	122,052	128,675
16 AFUDC	(17,472)	(24,493)	(23,100)	(15,888)	(12,706)
17 Net Interest Expense	168,996	166,160	140,219	106,164	115,968
18 Net Revenues (Expenses) from Continuing Operations	(2,772)	12,136	(10,072)	5,022	22,890
19 Net Revenues (Expenses)	(\$2,772)	\$12,136	(\$10,072)	\$5,022	\$22,890

<1 The TBL groupings of expenses by programs and sub-programs for FY 2004 estimates, developed as part of the 2004 Rate Case, are reconstituted to match the programs and sub-programs groupings shown on this report.

<2 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

<3 The Third Quarter Review shows the estimated effects of reduced summer spill, consistent with the 2004 Federal Columbia River System Juvenile ByPass Operations Statement of Decision signed by the Administrator on July 6, 2004. Previous estimates of the effects of reduced summer spill on agency net revenues have been an improvement in the range of \$20 to \$40 million. Spill reductions have since been enjoined by a federal court making realization of these revenue projections unlikely.